Message Text

LIMITED OFFICIAL USE

46
ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-04 FRB-01 INR-05 IO-04 NEA-06 NSAE-00 RSC-01

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-01 SIL-01 SWF-01

OMB-01 STR-01 L-02 AGR-05 OIC-01 /065 W
--------------------- 075505
R 221248Z OCT 74
FM USMISSION OECD PARIS
TO SECSTATE WASH DC 3983
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 01 OF 02 OECD PARIS 24874

E.O. 11652: N/A
TAGS: ECON, OECD
SUBJECT: OECD SHORT TERM FORECASTS

REFS: (A) USOECD 24600 (B) OECD DOC. DES/NI/F(74)5

L. SUMMARY. SECRETARIAT HAS CIRCULATED DOCUMENTATION FOR SHORT TERM FORECASTERS MEETING NOVEMBER 4-5 (COPIES HAND CARRIED OCTOBER 21 TO CLARK, EUR/RPE, AND MCCAMEY, TREASURY). SECRETARIAT NOW EVEN MORE PESSIMISTIC THAN IN EARLIER INFORMAL FORECASTS (REF A). ASSUMING CONTIN- UATION OF PRESENT GENERALLY RESTRICTIVE POLICIES, THEY EXPECT VIRTUAL STAGNATION OF DOMESTIC DEMAND AND OUTPUT IN OECD AREA THROUGH END 1975, WITH POSSIBILITY THAT EVEN WEAKER PICTURE MAY DEVELOP. INFLATION IN OECD AREA LIKELY CONTINUE IN VICINITY 12 PERCENT THROUGH 1975,
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

WITH SOME ABATEMENT POSSIBLE IN LATTER PART OF YEAR.

UNEMPLOYMENT SEEN RISING RAPIDLY TO "EXCEPTIONALLY HIGH RATES" AT END 1975. OECD AREA TRADE EXPECTED EXPAND ONLY MARGINALLY THROUGH END 1975. SECRETARIAT STRESSES NEED TO HOLD THESE ESTIMATES IN CLOSE CONFIDENCE. ACTION REQUESTED: PLEASE INFORM MISSION ASAP OF NAMES OF PARTICIPANTS IN STFC MEETING, HOTEL PREFERENCES AND DATES OF ARRIVAL AND DEPARTURE. END SUMMARY.

2. GROWTH OF OUTPUT: ON ASSUMPTION THAT PRESENT GENERALLY RESTRICTIVE POLICIES ARE MAINTAINED, SECRETARIAT EXPECTS VIRTUAL STAGNATION IN OECD AREA THROUGHOUT 1975, LEAVING DOMESTIC DEMAND AND OUTPUT ESSENTIALLY UNCHANGED FROM TWO YEARS EARLIER. UNDERLYING TREND OF DOMESTIC DEMAND NOW SEEN WEAKER THAN EARLIER ANTICIPATED DUE TO CONTINUING INFLATION, INCREASINGLY RESTRICTIVE POLICIES, AND COINCIDENTAL DEPRESSIVE EFFECTS OF OIL PRICE RISES. SOME LIMITED RELIEF FORESEEN IN SECOND HALF 1975 WHEN LOWER PRICE PRESSURES MAY ALLOW RECOVERY OF REAL INCCME AND CONSUMPTION, BUT SECRETARIAT WARNS THAT CUMULATIVE INTER-REACTIONS OF WEAK TRENDS MAY COMBINE, IN ABSENCE OF POLICY CHANGES, TO CREATE EVEN WEAKER PICTURE THAN CURRENTLY EXPECTED FOR 1975.

3. GNP FORECASTS (AS OF MID-OCTOBER 1974): SECRETARIAT SEES MOST PRONOUNCED DOWNTURN IN UNITED STATES, WITH FOUR CONSECUTIVE HALF YEARS OF NEGATIVE GROWTH. OTHER MAJOR COUNTRIES WILL EXPERIENCE MORE GRADUAL SLOWDOWN. SMALLER OECD COUNTRIES ARE EXPECTED TO GROW MORE STRONGLY THAN MAJOR COUNTRIES IN BOTH 1974 AND 1975, PARTLY BECAUSE POLICIES HAVE BEEN LESS RESTRICTIVE. FIGURES BELOW ARE PERCENTAGE CHANGES FROM PRECEDING PERIOD, SEASONALLY ADJUSTED AT ANNUAL RATES.

TABLE I

REAL GNP GROWTH FORECASTS FOR MAJOR 7 COUNTRIES

(OCTOBER 1974)

	1974	1975	1974 I	1974 II	1975 I	1975 II
CANADA	4.5	2.75	5.5	2.5	2.5	3.75
U.S.	-1.5	-1.5	-3.5	-1.25	-2	- .75
JAPAN	-3.25	2	-9.25	3	1.5	1.75

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

FRANCE (A)	4.75	3	4.5	4.25	3	1.75
GERMANY	1	1.5	2	0	3	.75
ITALY	4.75	- .25	5	0	- .25	- .25
U.K. (A)	0	1	-2.5	5	-1	.75
TOTALS:						
BIG 7 (B)	- .25	.25	-2	.75	0	.25
OECD (B)	.25	.5	-1.5	1	.5	.5

--

(A) GDP
(B) 1973 WEIGHTS AND EXCHANGE RATES.

4. EMPLOYMENT OUTLOOK AND FORECASTS: WEAK TREND IN ACTIVITY IS LIKELY TO LEAD TO UNPRECEDENTED MARGIN OF UNUSED RESOURCES BY LATE 1975, AND UNEMPLOYMENT EXPECTED TO REACH EXCEPTIONALLY HIGH RATES BY END OF YEAR. SEAS- ONALLY ADJUSTED FIGURES BELOW DO NOT REFLECT FULL EXTENT OF IMPACT OF WEAKER ACTIVITY ON EMPLOYMENT, IN VIEW OF MITIGATING EFFECTS OF EXPECTED DECLINES IN WEEKLY WORKING

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 OECD P 24874 02 OF 02 221324Z

46
ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-04 FRB-01 INR-05 IO-04 NEA-06 NSAE-00 RSC-01

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-01 SIL-01 SWF-01

OMB-01 STR-01 L-02 AGR-05 OIC-01 /065 W
--------------------- 075588
R 221248Z OCT 74
FM USMISSION OECD PARIS
TO SECSTATE WASH DC 3984
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 02 OF 02 OECD PARIS 24874

HOURS, REDUCTION IN PARTICIPATION RATES, AND DECLINES IN FOREIGN LABOR FORCES. UNEMPLOYMENT IN U.S. SEEN RISING

TO BETWEEN 7.5 AND 8 PERCENT BY END 1975.

TABLE II

TENTATIVE PROJECTIONS OF UNEMPLOYMENT RATES (OCT. 1974)

	LATEST UNEMPLOYMENT RATE		UNEMPLOYMENT RATE IN FOURTH QUARTER 1975
CANADA	5.3	(AUGUST)	6.5
U.S.	5.8	(SEPT.)	7.5 - 8
JAPAN	1.2	(1974Q2)	2
FRANCE	2.1	(AUGUST)	3 - 3.5
GERMANY	3.4	(SEPT.)	4 - 4.5
ITALY	2.8	(JULY)	4.5 - 5
U.K.	2.7	(SEPT.)	4 - 4.5

5. OUTLOOK FOR INFLATION: RATE OF INFLATION EXPECTED TO BE SLIGHTLY HIGHER AND TO DECELERATE MORE SLOWLY THAN EARLIER ANTICIPATED. DOMESTIC INFLATIONARY PRESSURES ARE BECOMING STRONGER AS WAGE CLAIMS REACT TO EROSION OF REAL WAGES, AND AS FOOD PRICES REMAIN HIGH BECAUSE OF SUPPLY PROBLEMS. SECRETARIAT SEES OECD AREA GNP DEFLATOR RISING BY ABOUT 12 PERCENT IN BOTH 1974 AND 1975, WHILE CONSUMER PRICES RISE AT 14 PERCENT RATE IN 1974 AND 12 PERCENT RATE IN 1975. US PRICE PERFORMANCE UNDER BOTH STANDARDS WILL REMAIN ESSENTIALLY UNCHANGED FROM 1974 TO 1975 AT ABOUT 10-11 PERCENT RATE OF INCREASE FOR BOTH YEARS. FIGURES BELOW ARE PERCENTAGE CHANGES FROM PRECEDING PERIOD, SEASONALLY ADJUSTED AT ANNUAL RATES.

TABLE III

CONSUMER PRICE FORECASTS (OCTOBER 1974) (A)

(GNP DEFLATORS IN BRACKETS)

	1974		1975		1974 II	1975 I	1975 II
CANADA	10	(13)	11.5	(12)	12	12	10.5
U.S.	11.5	(10)	11	(11)	12	11.2	9.5
JAPAN	25	(26)	16	(14.5)	22.5	15	12.2
FRANCE (A)	13.8	(10)	13	(12.8)	15.2	13.2	10.5
GERMANY	7.5	(6.5)	7	(6)	7	7	6.8
ITALY (A)	19.2	(15.2)	20.2	(18.5)	26	21.8	12.5
U.K.	14.5	(9.5)	15.8	(17)	15.5	16.8	14.2
TOTAL BIG 7 (B)	13.8	(12.5)	12.2	(11.8)	14.2	12.2	10.2

(A) NATIONAL ACCOUNTS IMPLICIT PRICE DEFLATOR

(B) CONSUMER PRICE INDEX

6. OUTLOOK FOR OECD TRADE: SECRETARIAT SEES ONLY MARGINAL EXPANSION OF TRADE OVER PERIOD TO END 1975. IMPORT VOLUMES EXPECTED TO GROW IN LINE WITH GNP GROWTH OF OECD AREA, WHILE EXPORT VOLUMES SLOW DOWN CONSIDERABLY FROM 1974 FIRST HALF LEVELS. IN PARTICULAR, DEMAND

FROM NON-OIL DEVELOPING COUNTRIES IS EXPECTED TO FALL SIGNIFICANTLY AFTER ALMOST 25 PERCENT ANNUAL GROWTH RATE IN 1974-I, AS FINANCING LIMITATIONS BEGIN TO ACT AS CONSTRAINT ON DEMAND.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

7. CURRENT BALANCES: SECRETARIAT DOES NOT DISCUSS CURRENT ACCOUNT DEVELOPMENTS IN THIS PAPER, BUT INDIVIDUAL COUNTRY FORECASTS MAKE IT POSSIBLE FOR MISSION TO COMPILE FOLLOWING TABLE ON MAJOR SEVEN COUNTRIES.

TABLE IV

ESTIMATES OF CURRENT BALANCES (OCTOBER 1974)
SEASONALLY ADJUSTED. ($ BILLION)

	1974	1975	1974 I	1974 II	1975 I	1975 II
U.S.	- 4.5	- 8.0	.7	- 5.2	- 4.6	- 3.4
JAPAN	- 5.4	- .8	- 4.2	- 1.2	- .9	.1
CANADA	- 1.5	- 3.2	- .5	- 1.0	- 1.3	- 1.9
GERMANY	8.5	5.5	5.3	3.2	2.8	2.7
FRANCE	- 7.0	- 5.8	- 3.L	- 3.9	- 3.L	- 2.7
ITALY	- 8.5	- 5.8	- 4.5	- 4.0	- 3.2	- 2.6
U.K.	- 8.8	- 6.0	- 4.8	- 3.9	- 3.4	- 2.6
TOTAL BIG 7	-27.2	-24.1	-11.1	-16.0	-13.7	-10.4

8. IT IS PARTICULARLY IMPORTANT THAT CONFIDENTIALITY OF THESE FORECASTS BE RESPECTED, AS SECRETARIAT HAS RECENTLY BEEN EMBARRASSED BY LEAKS TO PRESS WHICH CAN HAVE SIGNIFICANT DOMESTIC POLITICAL IMPACT.

9. ACTION REQUESTED: PLEASE INFORM MISSION SOON OF DELEGATION LIST, TOGETHER WITH HOTEL PREFERENCES AND DATES OF ARRIVALS AND DEPARTURES.
TURNER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, REGIONAL ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974OECDP24874
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740300-1082
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741027/aaaaawsg.tel
Line Count: 262
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) USOECD 24600 (B) OECD DOC. DES/N, I/F(74)5
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 08 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 APR 2002 by boyleja>; APPROVED <06-Aug-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OECD SHORT TERM FORECASTS
TAGS: ECON, OECD
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005